

ICCTA ACTION ALERT

May 16, 2005

The Illinois General Assembly returns to Springfield later today (Monday, May 16) to resume business. The scheduled deadline for the passage of legislation out of the second house (Senate bills passing of the House and House bills passing out of the Senate) was last Friday, May 13. Although the spring session is scheduled to adjourn on May 27, few observers believe that business this year can be completed by that date. The current schedule calls for lawmakers to meet every day for the next 12 days. If the General Assembly does not adjourn on the scheduled date, then a new session schedule will develop on a day-to-day basis.

Many taxing bodies throughout the state, including community colleges, are inquiring about a School Funding Reform initiative that could come before the General Assembly for a vote. The Governor has promised to veto any legislation that includes an income tax increase. The following is an explanation of a current proposed plan that was prepared by the Taxpayers' Federation of Illinois. ICCTA will continue to monitor this and other funding reform proposals closely as they evolve over the coming days.

SCHOOL FUNDING REFORM INCOME TAX INCREASE / PROPERTY TAX SWAP

Efforts are continuing to advance a dramatically new way to fund Illinois common schools. The Senate sponsors of a measure that defines a new way to fund elementary and secondary schools unveiled their proposed legislation last week at a hearing of a Senate committee. The proposed legislation was added as Amendment #1 to **House Bill 755** by Senators James Meeks (Chicago), Rick Winkle (Champaign) and Miguel del Valle (Chicago). The three sponsors have been working on different versions of proposed school funding reform and came together recently with this proposal. There is a possibility that House Bill 755 with the school funding reform amendment could be called for a vote in the Senate during the next few days.

The proposed school funding reform contains the following basic elements:

- Increases the individual income tax rate from the current 3% rate to 5%. Also increases the corporate income tax rate from the current 4.8% to 8%. (The Illinois Constitution set the corporate income tax rate at 1 5/8 times the personal income tax rate.)
- Abates 30 percent of the K-12 school districts property tax levy based on the 2001 tax year. **No other local tax levies are affected by the proposed legislation.**
- Requires 60 % of the voters to approve an increase in the education operating fund tax rates for school districts.
- Increases the state-supported foundation level for schools from \$4,900 per pupil to \$6,100.
- Adds \$120 million annually for special education and categoricals.
- Adds an additional \$370 million annually for universities and community colleges.
- Increases the states' annual appropriation to the Local Government Distributive Fund by \$190 million
- Allocates \$200 million annually to increase the Earned Income Tax Credit from 5 percent to 20 percent.
- Adds \$150 million annually for a \$30 per year renters' income tax credit.
- Increases the Education Expense Credit from 25 percent of the cost of the education with a maximum credit of \$500, to 50 percent of the cost of the education with a maximum credit of \$1,000.

☎ Call ICCTA at 1-800-454-2282 for legislative updates ☎



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